

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FEA-02 SCI-06 EB-11 COME-00 TRSE-00

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2817

INFO AMEMBASSY BRUSSELS

AMEMBASSY MOSCOW

C O N F I D E N T I A L THE HAGUE 435

PASS STR

E.O. 11652: GDS

TAGS: ENRG, NL, UR

SUBJECT: SOVIET NAPTHA SHIPMENTS TO DOW CHEMICAL

REF: HAGUE 5663 (NOTAL)

1. DOW PROCUREMENT CHIEF MARSHALL BRIEFED AMBASSADOR AND
ECON COUNSELOR JAN 25 ON PRESENT STATUS OF DOW'S TRADING
RELATIONSHIP WITH USSR, FOLLOWING DISCUSSIONS IN MOSCOW
EARLIER THIS MONTH (REFTEL):

2. RUSSIANS STARTED DISCUSSIONS BY MAKING TWO POINTS:

(1) AMENDMENT TO US TRADE BILL RE JEWISH EMIGRATION IS
INTOLERABLE INVASION OF SOVIET INTERNAL AFFAIRS AND

(2) SOVIETS DO NOT WISH TO FRUSTRATE ARAB BOYCOTT AGAINST
US AND HOLLAND. FOR THESE REASONS, RUSSIANS SAID, THEY
WOULD NOT ONLY BE FORCED TO REJECT DOW PROPOSAL FOR INCREASE
IN NAPTHA SHIPMENTS TO DOW TERNEUZEN FROM 1.1 TO 1.4 MILLION
TONS ANNUALLY (PLUS 0.5 MILLION TONS OF OTHER OIL PRODUCTS
TO DOW IN TEXAS), BUT WOULD ALSO HAVE TO PARE DOWN PRESENT
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LEVEL OF NAPTHA SHIPMENTS TO TERNEUZEN.

3. WHEN MARSHALL PROBED (ALLUDING TO IMPORTANCE OF DOW CHEMICAL EXPORTS TO SOVIET ECONOMY), SOVIET NEGOTIATORS ADMITTED THAT FOREGOING UKASE WAS NOT IMPOSED BUT ONLY "RECOMMENDED" BY THEIR POLITICAL SUPERIORS. FROM THAT POINT ONWARD DISCUSSIONS DEVOLVED ON MEANS TO MEET DOW REQUIREMENTS WITHOUT BLATANT AFFRONT TO ARAB EMBARGO. IT WAS ULTIMATELY AGREED THAT RUSSIANS WOULD NOT ONLY INCREASE ANNUAL NAPTHA DELIVERIES TO 1.4 MILLION TONS BUT WOULD CONCENTRATE 40 PERCENT OF 1974 QUOTA DURING JAN-MAR TO MEET IMMEDIATE DOW NEEDS. IN RETURN DOW AGREED TO PRICE "SUBSTANTIALLY IN EXCESS" OF CURRENT QUOTATION FROM DUTCH REFINERIES. NAPTHA WOULD BE CONSIGNED TO DOW BELGIUM WITH UNDERSTANDING SHIPS COULD BE (AND OF COURSE WILL BE) DIVERTED TO TERNEUZEN AFTER SAILING. QUESTION OF PRODUCT DELIVERIES TO TEXAS WAS "DEFERRED". RUSSIANS MADE IT CLEAR THAT IF US TRADE BILL SHOULD PASS WITHOUT ELIMINATION OF JACKSON RIDER WHOLE DEAL WAS OFF.

4. MARSHALL EMPHASIZED THAT SOVIET NAPTHA SUPPLIES ARE VITAL TO TERNEUZEN PLANT AND URGED THAT ALL POSSIBLE STEPS BE TAKEN TO DEFEAT JACKSON AMENDMENT. AMBASSADOR ASSURED HIM THAT ADMINISTRATION WAS OPENLY OPPOSED TO AMENDMENT AND WOULD MAKE EVERY EFFORT TO KILL IT.

5. COMMENT. DOW TERNEUZEN REPRESENTS US INVESTMENT OF 450 MILLION DOLLARS, SOON TO BE EXPANDED TO 600 MILLION. IF THIS THREAT TO VIABILITY OF THAT OPERATION WOULD BE USEFUL COUNTER IN ADMINISTRATION DISCUSSIONS WITH SENATE FINANCE COMMITTEE WE BELIEVE DOW WOULD HAVE NO OBJECTION TO THAT PROCEDURE.
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